

**MTN Group Limited**  
**Interim Results Presentation**  
**19/08/2010**





Speaker	Narrative
Nosipho January-Bardill	<p>Good morning. Salaam Alaikum. Bonjour, ladies and gentlemen and welcome to MTN Group’s interim results presentations for the year, for the six months ended June 2010. I’m the executive for Group Corporate Affairs and I’ll be the programme director this morning and so my task is to extend a very warm welcome to all of you on behalf of both the group board and the executive committee and also to introduce our panellists, who I’m sure you’re very familiar with. Mr Phuthuma Nhleko, our group president and CEO; Mr Sofiso Dabengwa on the other side, who is our chief operating officer and Mr Nazir Patel, our group finance director. And I will also try and explain the structure of the morning.</p> <p>In the audience we also welcome some of our shareholders, analysts, members of the media and members of our board, both from MTN South Africa and the group and of course my colleagues at the front here in the executive team who drive the business strategy. We’d also like to acknowledge our senior vice president, Mr Christian de Faria, who is here. As you know, Christian used to be the VP of our WECA region. Our acting VP in the WECA region, Mr Ahmed Farouk and Mr Jamal Ramadan, our VP in the MENA region will both be watching from various webcasts in their regional bases and so welcome to them as well. And of course, last but not least, ladies and gentlemen, we also welcome in the audience the management and staff of both MTN Group and MTN South Africa and a warm greeting to the rest of our staff in the 20 other operations, without whose efforts MTN would not be the success that it is. They also will be watching through various electronic media that we’ve set up.</p> <p>The presentation will last approximately one and a half hours and the agenda, as usual, is quite straightforward. Our group president and CEO, Mr Nhleko, will present the group’s strategic and operational overview. He will be followed by the group financial officer, Mr Nazir Patel, who will deliver the financials. Phuthuma will then complete the presentation with some concluding remarks. After the presentation you will be invited to ask questions if you have any and our staff members will give you rolling microphones to do that. And so, at this point I’d like to invite you to please turn off your cell phones or put them on silent and when we have completed the presentation, of course as usual we’d like to invite you for a little snack outside. And so, without much ado, I’d like to invite our group president to come and present the results. Phuthuma.</p>
Phuthuma Nhleko	<p>Good morning, everybody, and just to echo Nosipho’s welcome, it’s really an honour always to present to you our results and, of course, to welcome all the MTN-ers that are on webcast and hopefully this is a reflection of what they’ve been doing in the last six months. So thank you very much for the time you’ve made to come to MTN.</p> <p>Let me begin the results by giving just the trading environment, certainly as we see it, and I do think it’s characterised by a number of issues. Firstly, we do believe that, of course, there’s been the financial crisis and then the economic slow-down, but we would like to believe that we are at a phase where we’re starting to see some stability in that and hopefully it will not be a double-dip recession, as other</p>



Speaker	Narrative
	<p>people are predicting. But for now, we seem to have seen the worst. We also have a scenario, certainly in our op footprint, where there is fairly intense competition. There have been a lot of new entrants, strong entrants, which obviously brings all sorts of other pressures. But we certainly believe that MTN is well positioned to weather that.</p> <p>Thirdly, we have an increasingly tough regulatory environment. I think the regulators are flexing their muscle and showing more teeth. Again, we do believe that we are arranged as a group in a manner that allows us to anticipate and preempt certain actions. And of course, as we penetrate into the lower segments of the markets we are seeing declining ARPU which is what is expected. Most probably the most impactful feature of these results would be the exchange rates in the sense that we are a rand-based company and, notwithstanding, over 70% of our earnings being in other currencies, because of rand-reporting we do see that volatility. So I think by and large that's really the environment in which we find ourselves.</p> <p>From time to time we of course do a review and just ensure that the fundamentals that are important or killers, if you like, to the vision of the group remain sound and we've shown this slide I think quite consistently over a number of years to say that the whole issue of convergence and operationally over time is something that will be there, we need to look at, we need to continuously leverage the footprint that we have and, of course, this business is in many respects about intellectual capacity so we guard that fairly jealously and I've always believed that there is going to be consolidation in this industry and I think we are starting to see that. I think you just need to look at the last sort of six to nine months and you'll realise that there is consolidation as people find out that, unless you've got meaningful scale, it becomes fairly difficult to compute.</p> <p>And then I think the blocks at the bottom there are really just saying you've got the pillars, the three pillars, but really what are the cornerstones? And the cornerstones are all those aspects of our business that we constantly review to ensure that we remain fairly competitive. Another way of representing this is through what I regard as most probably six fairly important cornerstones. Given the high penetration, increased competition, fairly mature markets, the question is how we continue to differentiate ourselves from the competition. We certainly believe that quality of service and I'm talking first and foremost the network service, our network quality is fairly crucial. We've invested a significant amount of money over the years to improve that and I think there is a marked difference in most of our major operations.</p> <p>Distribution is certainly going to be a battle ground in virtually all the countries. Again, we've spent a great deal of time and money in this area, in South Africa and Nigeria in particular, in recent years. We've invested a lot that has ensured that we have a fairly robust and competitive distribution network and I think that is going to be a fairly important telling feature going forward.</p> <p>Segmentation, again we've spent a great deal of time and money with consultants</p>



Speaker	Narrative
	<p>and ourselves to try and have a far finer way of defining our market and therefore ensuring a much higher yield in various segments of the market and this is really something that's become virtually engrained in our budgeting process and everything else that we do.</p> <p>Fourthly, experience people, this is at all levels but most importantly at customer interfacing level, we try and ensure that we improve the quality of people there.</p> <p>And then the whole issue of innovation is important. MTN, not being part of the larger global groups, has to do a lot of home-grown innovation and I think there is a lot of work that's been done in this area, whether it's roaming, mobile money, MTN Zone and so on. All these are internally generated products that hopefully will ensure that we are competitive.</p> <p>And then, last and not least, I think brand defines us in many respects. We recently spent quite an amount of time and effort and money on the FIFA World Cup. We certainly hope that helped to advance our position as a significant global brand and a brand of choice. So, in short, all I'm saying is, given the stage and phase where we find ourselves in this industry, this has become central, not to say that it wasn't important in the past but this has become a central piece of how we're going to differentiate ourselves.</p> <p>In looking at the results the highlight, again just to say that the big wind here is always currency and, not to sort of give our view on where the rand should be, I don't think that's our job. Suffice to say that in the last six months we've had a very, very heavy headwind as opposed to a tailwind. Notwithstanding that, the subs are up since December by 11.4% to almost 139 million subs. EBITDA margin is up .5 to 43.3. I know this is not the 45 that I've always said that we are going to try and target but, nevertheless, we think we're still moving in the right direction. Iran and South Africa contributed quite a lot to helping us push up that margin and we'll get into that detail a little bit more and, of course, our adjusted headline earnings per share are up over 20% to 438 cents and some of those things are also impacted by currency exposure and what we have done to try and mitigate that and I think Nazir will deal with that under the financial section.</p> <p>Then we have decided that MTN is now in a position to go into paying an interim dividend, effectively as a continuous policy going forward, which we haven't done in the past and that interim dividend would be 151 cents per share. Of course, we do have the luxury of paying that dividend because, and going onto that policy shall I say, because of the much stronger cash flows we're now generating in the group. And, if you look at the free cash flow on a comparative period basis, it's up almost 164% to R6.8 billion.</p> <p>And lastly, let me just say I think if you just take that very wide overview of the group with net debt very low – remember a few years ago we stood here after Investcom acquisition and we said it would be brought down to, I think it was .4 net debt to EBITDA, I mean we're now down to .11. So I think that does at least say that the decisions that have been taken in the last few years as far as the capital</p>



Speaker	Narrative
	<p>structure have borne themselves out.</p> <p>Getting more into the operational matters, nothing has changed radically as far as the split of the subscribers in a geographic sense of the word. We have always said that we would have liked to have a third in the SEA region, a third in the MENA region and a third in the WECA region but, of course, I think with the very strong performance of Nigeria and Ghana in particular we are getting close to 50% of our subs coming from the WECA region.</p> <p>Revenue, again, because of the currency headwinds you will see that the contribution of revenue from the operations outside South Africa has been a bit more muted compared to the same period in 2009. Of course, revenue itself on a group wide basis is almost flat, precisely because of the currency. EBITDA I think reflects very much the same sort of pattern, notwithstanding 70% of the earnings being non-South African, or non-rand earnings and, as I indicated earlier, we're very pleased with the margin uptake that we have seen in the last six months as a result of the strong EBITDA pick-up in South Africa and Iran.</p> <p>Nigeria of course is now effectively the largest contributor to the group. We have increased market share in Nigeria to 51%. The distribution reconstruction that took place a number of years ago in Nigeria, where we organised really on a regional basis, with key dealers in those areas and having the whole incentive structure being revised and reviewed has certainly borne much fruit and, as I say, with 51% market share coming up from – at one stage were I think about 45 or 46 is testimony to that. Of course, ARPU has declined unexpectedly. I still do think that if you look at Nigeria over the last five years at an ARPU of I think about 11 dollars it's still much, much stronger than any of us would have anticipated. Marginal ARPU is now down to seven dollars in Nigeria and, of course, we've had the Interconnect decline by a few naira. I think all in all the operation has gone very well. SIM registration similar to South Africa; not as cumbersome in terms of things that have to be fulfilled, but suffice to say that this SIM registration requirement is something that has taken off in virtually all the operations.</p> <p>Coming back to Nigeria, 3G roll-out, we have done almost 300 sites and I must say the Smartphone end in Nigeria has taken off. I don't remember exactly how many Blackberries now but I think it's over 35,000 or something like that, so we're finding that, because of the poor fixed-line connectivity, I think in the fullness of time the 3G roll-out in Nigeria and the take-up on data in the high end of the market will justify that. We continue to provide a lot of self-provide on transmission. We've done almost another 700 kilometres and we have also launched WiMAX in three states. I think the important point here is, as we indicated, we thought 2009 would be the peak year in capex for the group. Nigeria is obviously representative of that in some respects and, as you can see, compared to the comparative period last year, we're almost at half the capex and we sincerely believe that we'll maintain that for the rest of the year.</p> <p>South Africa, we had a very rough patch the last six months to December '09. I'm glad to say that things have turned around and things have picked up. Market</p>



Speaker	Narrative
	<p>share is at 36%. We would be more comfortable with two points above that. And of course, RICA, which was a challenge, I think it was a learning curve for all of us, but we've certainly got in rhythm on that. We have the town stormers, which is a network that was invested in a few years and those guys were converted and have helped us to RICA people, if you like, and that has really helped, particularly on the prepaid side. The post-paid growth has not been as strong. We have seen a lot of people utilising the hybrid packages, in other words, migrating from post-pain into either lower packages of post-paid or the hybrid package and I think this is really indicative of the fairly pressing economic conditions that are prevalent. And of course we've also ensured a much stricter credit policy just to ensure that our doubtful debts are kept at an acceptable level.</p> <p>We did have billing and IT-related problems in 2009 and I'm glad to say that a lot of that has been stabilised and we've got less challenges there and so on. And the campaigns that we are undertaking were also fairly well targeted, primarily because of the very comprehensive segmentation exercise that all the operations now go through and I think on prepaid we have that benefit.</p> <p>Once more we've seen a decline in ARPU on the post-paid side. It's driven by what I mentioned earlier, which is people migrating to lower packages and utilising more the hybrid products based on the affordability and lower out of bundle usage as well and, of course, as you know, we've had long discussions with ICASA on the mobile termination rates. We're still going through that chapter 10 process. We are debating the gradient of that slide path and hopefully we'll arrive at some meaningful arrangement on that but suffice to say that the business has structured itself so as to accommodate the further cuts.</p> <p>Capex in South Africa, same story as Nigeria and indeed the entire group, which is we are off our peak and down to a billion rand for the first six months as opposed to a comparative three billion rand last year, but all of this was not in vain, as I keep on saying. The quality of the network, the capacity and so on, again is a benefit that is starting to come through very, very clearly. We've also put out more 3G sites and we now are almost at 50%, 48% of the population is covered with 3G. Fibre deployment is something that we continue to do quite extensively, as soon as government allowed us to self-provide. As you know, in the last two or three years we've embarked on this with much effort, simply to try and ensure that our transmission costs over time decline. So over 440 kilometres of the long distant line has been deployed and the 220 kilometre ring around the Gauteng area, that was completed.</p> <p>One big feature of the SA results is the pick-up in data and, again, that would not have been possible without investment more in transmission and, of course, generating the right products. So we're quite happy to say that in fact we've surpassed the targets we had set for ourselves because you may remember two, three years back we had said we wanted to reach 12% of 13% of revenue in South Africa being data. We're now at 18%, we're almost 20%. Quite a lot of operators in far more literate societies and so on are at 25, 30%, so I think we seem to be, for the South African profile, we're certainly on the right path in that area.</p>



Speaker	Narrative
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	<p>Ghana, if we can talk about West Africa a little, Ghana has done exceptionally well. This is really an operation in a five-player market; has maintained market share of 56% and it's quite important to say that that would not have happened, yet again, without significant investment in capex, which gave us the capacity, gave us the quality, enabled us therefore to be highly competitive as far as the take-up of subs and the subscribers that – the products that were put out there as well as the number of subscribers we could take. Of course, one big feature of Ghana, as you may recall, was the devaluation of the cedi, the Ghanaian cedi, and we are happy to say that it looks like there is some stability now in that particular area and hopefully, once Ghana gets into production on oil, hopefully it will begin to strengthen. Again, very much effective distribution, same strategy we followed in Nigeria was effected in Ghana and has yielded results. Ghana is not on its own in demanding SIM registration and we commenced implementing that on the 1<sup>st</sup> of July and I must say I think as a group we've been on the learning curve on this.</p> <p>We had a challenge in Sudan where we were caught unaware but I think after Iran, South Africa, Cameroon and so on we have clearly got into a rhythm in anticipating how we deal with SIM registration and, provided everybody plays by the rules, I think this is a competitive area that we would do well in, or take advantage of, maybe I should put it that way. Ghana also has managed to roll out some 3G sites. I'm afraid here I can't say that capex has come down as much but one has to put into context that it is a five-player market and it was crucial that we get ahead in the game, having started of course on what we regarded [cell phone rings]. I don't know whether that's a message about what I'm saying [laughter] so I will ignore it for now. Okay, but data usage in Ghana is also fairly significant and mobile money has also taken up, maybe not as well as Uganda and East Africa but certainly this is something that we intend pushing and at 7% of revenue we think this has done relatively well.</p> <p>Iran has been very much a star performer in this group. They have effectively grown their subs by 16%, a significant growth in revenue and, again, I think Nazir will deal with this in a section. One theme that runs through all these results is that these operations on a local currency basis have done exceptionally well and Iran is not, has not been an exception. I think revenue is most probably over 60% on a comparative period, but we have had a lot of promotions that have been targeted for various seasonal things that happen in Iran, which is really a feature of that country. And of course we've now got much wider electronic distribution through a lot of the local banks and that has helped, even though we believe that the third subscriber, sorry, operator will commence operations by let's say the end of the year or maybe let's say the first quarter of next year. We think that with 44% market share in Iran we have basically positioned ourselves in almost an unassailable position. Not to say that we're complacent about it, but I think it does put us in a very strong position to deal with any of the third entrants.</p> <p>So there we are, subscribers almost 27 million. To put this in context, it's been a very fast growth. South Africa went almost 14, 15 years to 17 million subscribers. In Iran, really this has been achieved in four years so I think it just shows you what</p>
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Speaker	Narrative
	<p>the opportunity was in terms of the depth of the market and so on. The roll-out, again we continue to deploy quite significantly capex in Iran, but this does follow the future of the group in the sense that we haven't invested as much as last year in the first six months. We do have certain challenges when it comes to sites, which has slowed down the roll-out somewhat, particularly in northern Tehran and Isfahan and some places. Sites are very difficult to come by. I'm very confident that if we were able to get more sites it obviously would create more capacity and we'd see a much higher uplift of revenue in Iran, so this is something that we continuously look at doing. We have also launched WiMAX. We don't have 3G in Iran. We've also launched WiMAX in certain parts of the country and we believe that that will go a long way to helping our data revenue in Iran increase even more significantly. The 19% is impressive but that does include SMS, so it will be significantly lower if you exclude SMS.</p> <p>Syria – Syria, as you know, is almost like a geopolity [?] of sorts in a sense that the market is controlled in terms of how fast we can move relative to our competitor but still 45% market share which has remained relatively stable. Again, segmentation of products here is a very important feature that has helped us and also helped us to try and reduce churn by being far more educated about our various segments and what's actually happening in each segment. The biggest issue in Syria was the BOT. As you know, it's not a normal licence there. I'm happy to say that in principle we are on track to resolve this by year end. We have engaged government and I think in principle there's now an acceptance that there will be a conversion and we're hoping that by year end that will be done and we can come and share with you more comprehensively the details of that. Suffice to say that I do think it's a positive development for that operation because I do believe that, once the BOT is out the way we would be far less, I wouldn't say restrained, but we would be in a position to invest more in capacity there and therefore increase the penetration in a country whose per capita GDP should have a higher penetration that it has today. So I see that essentially as an opportunity.</p> <p>Again, that capex reflects a number of things. Partly the issue of the BOT conundrum in the sense that we couldn't invest significantly until we get clarity as to where we're going forward on all of that. But the quality has remained quite acceptable. We have started very limited 3G service and, of course, are launching a lot of data products. 10% - we really do think that there is still significant opportunity there.</p> <p>So I think, in a nutshell, looking at things operationally and trying to give you a strategic overview, I know there has been perpetual questions about our business model and where are we going, is the trajectory right and so on, and then, of course, you know people are quite entitled to ask those questions and I guess it's our task to answer those questions. But I do think that the strategy that we have followed thus far has worked. Let me start off by saying the bulk of the growth has been organic growth in this company, notwithstanding some M&amp;A that we've undertaken, but the bulk of the growth has been organic.</p> <p>We then invested significantly in Capex. If you recall, starting in 2007 we invested</p>



Speaker	Narrative
Nazir Patel	<p>significant amounts of capex in fairly difficult jurisdictions. At R35 to R40 billion a year that was, by any stretch of the imagination, significant capex. But what that has really precipitated for us or enabled us to do is to have, as I mentioned earlier, the network and the capacity so today, with 51% market share in Nigeria, 56% in Ghana and 66% in Uganda and so on, is precisely because of the view that we took a few years ago that we should actually create that capacity.</p> <p>And the cost efficiencies, we spoke a lot about the low-cost operator; not to say that's a one-off, that's a process which we continue and there are a lot of things that we haven't spoken about this morning, because I guess we don't have all the time, that we are doing to further try to ensure that we are on a downward trajectory as far as that cost base is concerned. All of that has really resulted in fairly significant cash generation, not to mention the extremely low gearing. We are able to pay the maiden dividend, that's almost three billion rand for six months, as a result of having followed that strategy and, for us, that is of course a way of ensuring that our ultimate task of shareholder returns is achieved.</p> <p>Having said all of that, of course we will continue to look at where opportunities are. I think what we said during the AGM is that, whilst we realise that there are far-limited, significant opportunities that are out there, we think that we cannot be inactive because the terrain is changing all the time. I spoke about consolidation, where it's on a regional basis and so on. So that's something that we will continue to do but we hope to increase the balance in terms of particularly cash generation, returning that to shareholders to reflect where the company is today.</p> <p>So I think, in short, that is the formula, that is the framework and, unless something absolutely radical happens, that's what we intend to maintain. Thank you very much.</p> <p>Good morning all, members of the audience, a special welcome to members of the group board, to members of the MTN executive committee and also to members of the South African board as well. Thank you all for taking the time and the interest to participate in this session. It gives me pleasure to present the group's financial results and I think Phuthuma's last slide provides an ideal opening for us to discuss the financial performance of the group.</p> <p>To a large extent we'd like to believe that the first six months of this year is characterised by some key elements which, in terms of that particular framework, which we believe is provides some steps in terms of our success in achieving those objectives and the cash generation that he talked about is clearly a major step towards that.</p> <p>One of the highlights, however, that Phuthuma alluded to earlier in his presentation was the ZAR strength in the first of this year. If you recall, the first half results in 2009 were characterised by very weak ZAR performance and the average ZAR rate to the dollar was in the order of just slightly above nine. I have a slide later in this presentation which some of you might have seen already. I will explain that a bit further. We have seen that in the first six months of this year the ZAR has been</p>



Speaker	Narrative
	<p>relatively strong against most other currencies, including the dollar and that has had a fairly dampening impact on the group's reported results for the first year.</p> <p>What's very pleasing, we talked about the higher margins earlier in Phuthuma's presentation from South African and Iran and we'll explain those in a bit more detail as we go through the presentation, but we've also lifted out, despite the fact that it's only five-tenths of a point of margin improvement, from 42.8% to 43.3%, on a half-year, half-year basis. We did lift up margins overall for the group in the last six months from December '09 to now by more than a full two percentage points. So that's been very pleasing to see. I guess just the challenge now to operational management is to ensure that we find a way to keep those margins at that level towards the end of the year as well. I'm looking at my South African friends across in the corner here to make sure they don't disappoint on that front. They have, however, assured me that they are on a good roll so let's hope that comes through as well.</p> <p>Functional currency, I think in the past we've talked a lot about this. We've done some capital restructuring in the group and hopefully we've taken away some of that pain, but we are still exposed to some Forex losses and we'll talk about those as we go forward. All of this translates, the margin improvement, the lower capex spend and a good conservation of cash flow has helped us to drive free cash flow up from R2.6 billion at the end of the first six months in '09 to about R6.8 billion in the first six months in 2010. For purposes of this particular presentation, free cash flow is defined as cash generated by operations, which includes working capital changes, after payment of taxes, dividends, etcetera, and capex. So that's the way we tend to define it for this purpose. HEPS as a result with the strong earnings base has increased by 20.6% but keeping in mind of course that we did not take some of the big pain I guess on reversing a credit from the put option that we say in the first six months of 2009.</p> <p>Moving on, we talked about fairly stable economic and trading conditions but we still believe that in some cases they might be relatively unpredictable but a key feature, I think, in almost every one of the markets that we're operating in is a fair amount of competition and we see a lot of discounting on tariffs and it's not uncharacteristic to see tariffs go down by 50% and these are daily calls. We also see a lot of freebies being thrown around, bonus free charges, free night calling, etcetera, and we believe this is the order of the day. I think to that extent, keeping that in mind, the results are actually pretty strong and very positive in terms of the way we've performed.</p> <p>We've seen strong subscriber growth. As Phuthuma pointed out, we've had a good subscriber intake of just over 11% in the first six months of the year, but we do have to keep in mind that this is now coming at declining marginal ARPUs and that's something that we need to manage very efficiently. It's the core framework that we put out there, the way we get increased margin is slower revenue generation in future, but increased focus in terms of cost efficiency to generate more cash as we go forward. Strong data growth that has been pointed out, particularly in South Africa, but at the same time we need to manage declining access pricing as we go</p>



Speaker	Narrative
	<p>forward.</p> <p>On the FX side, not to talk too much about those, we've dealt with that I think in as much detail as we need to. However, on the regulatory front, probably a couple of points that are worth mentioning. Subscriber registration, as Phuthuma pointed out, has been initiated in a number of markets. I think we keep a watchful eye out on that. We've seen the impact it's had on South Africa. In Nigeria we are now registering, as we indicated, from the beginning of May in accordance with, in compliance with government regulatory regulations. Registration of new subscribers. The parameters for the registration of the existing base have not yet been defined. Needless to say, we have started a process of registration. We've put a lot of equipment out in the field, we've trained a lot of people and we've registered about a million people in Nigeria already. But that's something that we need to watch and keep an eye out going forward, because it might have an impact on gross connections as we've seen in other markets. We are heavily involved in that process in Ghana, made very good strides I believe in Cameroon, where we've registered about 70% of the base and we are also in the process of registering the base in Ivory Coast. So this is something that's here to stay and I think we'll see almost across the entire footprint.</p> <p>From the accounting perspective, a few things that we need to keep in mind when looking at the results. Our Zambian shareholding has been reduced as part of a private placement arrangement and that was in order to comply with the licence conditions. We reduced our Afghanistan shareholding from 100% to just over 90%, and that's in accordance with a financing agreement in which a minority shareholder has a put option on us. We still account for about 100% of that from a consolidation perspective. The put option, and this the put option that most of you are familiar with, if you recall in last year, as a result primarily due to the devaluation of the naira against both the dollar and the ZAR we took a fairly large credit in the income statement and the naira has remained fairly stable over the last six months so, in terms of updating that, the liability under that put option, we've now taken a slight charge and that reflects clearly a softening of I guess the WAP rates associated with that particular country, as well the stability in terms of the cash flows that are coming through.</p> <p>On the tax side is a higher tax charge than we expected. Some of it is related – and this is fairly consistent as far as the first three bullets are concerned – the STC on the group dividends, the withholding tax and the education tax, those effects that we would have seen in the prior year as well in terms of taking the blended statutory rate up to a higher number, but the other impact that we've had this year is as a result of the put option moving from a credit to a debit. We have lower taxable income and therefore a higher effective tax rate, even as the charge has matched the overall revenue base, or the income base.</p> <p>Just to give a bit more colour to the movement in exchange rates, and these are average exchange rates and therefore has a fairly big impact on two items; one is on all your income statement based items and secondly, on your capex as well. So the two shared areas are the ones we need to focus on. As we mentioned, it's</p>



Speaker	Narrative
	<p>more ZAR strength as opposed to underlying currency weakness in the operating countries that has had an impact on the numbers. So we look at each one of the real, the naira or the cedi, they have remained relatively stable against the dollar. There are slight movements but not significant. However, the rand moving from an average of R9.06 to R7.52 obviously means that the ZAR recorded results have been quite heavily impacted on a translation basis. So the cross rates effectively against the rand have deteriorated somewhere between 16 to 26% if you do it on a line by line basis. And therein really lies a problem with the headwinds that Phuthuma alluded to earlier.</p> <p>On the revenue side, again the underlying message was, on the bottom right-hand corner, on a local currency basis all operations seem to be performing relatively well. In Nigeria we see slower growth because of the declining marginal ARPUs of around just below 15%. If you recall, in the first half of last year those might have been slightly higher compared to 2008. Iran very, very strong at about 42%, largely associated with the fact that there was a slight uplift in local currency ARPUs as well as very stable ARPUs of the existing base. So about a 42% increase. Ghana and Uganda, very pleasing to see the rates that are coming through despite the significant pressure on ARPUs coming in much lower than we have seen in the past. And Syria, again, keeping in mind that this is a managed market, this is a market that we expect to see more from in the future, 12% growth is not reflective of the levels of penetration or the GDP in that particular market. So the entire discussion around converting that into a normalised licence, we are hopeful will free up the market much more in terms of competition and allow us to develop the business as a – in normal business terms that we saw across most of the footprint.</p> <p>As far as currency impacts are concerned, if we just do the constant currency calculation and take 2010 ZAR reported numbers, and that's the 54.9 billion ZAR, restate them at the R9 average exchange rate that we saw in the first half of last year, we would have reported revenues which are about R8.7 billion or 12.9% higher and that's something to keep in mind when looking at these results.</p> <p>On the RSA side, we'll chat a little bit more about RSA, but principally a lot of the revenue growth very, very pleasing to see the 7% [unclear] come through. It was a challenge that the management put back to us at group level and we are pleased to see that actually come through. Some of it is based on data but it also reflects the fact that it's a very, very strong prepaid performance and you saw that in the subscriber numbers that Phuthuma showed earlier. So the net 800,000 prepaid subscribers has obviously delivered direct revenue gains which we are very pleased to see. You saw the ARPU going up from 100 to 109 and clearly a lot of appetite in the market for various things. In the new value propositions, in the form of the one rate call, the 100% Mahala campaign, all backed up by a very strong rand and the Ayoba campaign as well, which clearly has worked extremely well. We're hopeful that will continue. On the Iran side again, we talked about the 42% so we will not dwell too much on that.</p> <p>Overall, just looking at the data side, keep in mind that in looking at these figures you do have to keep in mind that there are currency impacts on that, but looking at</p>



Speaker	Narrative
	<p>the numbers just purely on a data basis and Phuthuma talked about the 18% in South Africa where we included an SMS, but keep in mind you've got to exclude from the South African revenue the revenue for the handsets. If you do the same calculation, just for pure data, excluding SMS, you still get data now excluding SMS and excluding handset sales of about 10% in South Africa and that's quite pleasing. Disappointingly, I think, in areas like Nigeria, that particular comparison is as low as 1.1% I think in Nigeria, which I think reflects the fact that there is a lot of opportunity out there. We have initiated, as you know, 3G coverage but in terms of both population and geographical reach we're probably still relatively far behind where we need to be to be able to service the market adequately.</p> <p>On the Iranian side we don't have a 3G licence so that is [unclear] limitation. Another point to actually keep in mind on South Africa is, we saw a very significant move in terms of the number of packet data users and in comparing the first half of '09 to the first half of '10, I believe in the order of about two million additional users. So a very, very nice improvement.</p> <p>On the Ghana side, and this is a country where we have made fairly significant investments on the 3G side, a good uptake on revenue growth on the data side of over 60% but at the same time we also see quite a big increase in the number of Smart phones on the network, in the order of about 500,000.</p> <p>Moving onto MTR and this is a highly topical discussion - this seems to happen to me each time, apologies. MTR charges in Nigeria and RSA up. Talk to the guys to see - I think they actually set this up this way - it never pops up in Phuthuma's presentation. [Laughter]</p> <p>In RSA we are aware that the peak rate dropped, the peak rate dropped from 125c to 89c and in Nigeria from 11.4 to 8.2. We've set out the group level Interconnect data here but just a couple of points to keep in mind. On the SA side, whilst we've seen some decline as a result of the rate cut, we've also been able to keep the costs under check and I talked a lot about the prepaid business and we had a significant increase in the number of subscribers, but what's more interesting, if you compare first half of '09 to first half of 2010, we've carried a significant amount of traffic, of greater traffic on Net. It's moved from 52% to 62% so overall I think the cost side has remained in check so we've been able to keep the costs under control and overall mitigate the impact of the rate cut.</p> <p>On the Nigeria side, about a 25% impact due that rate change, but not significant overall in terms of the contribution to revenue for the simple reason that we carry the substantial part of our traffic on Net. So Net Interconnect as a percentage of EBITDA thus far on a group basis has declined marginally from 10.8 to 10.6%.</p> <p>Looking at EBITDA performance, largely again keeping in mind the FX impact, if we restated current year EBITDA at prior constant currency rates we would see about a R4.3 billion improvement on EBITDA or reported EBITDA of about 16.3%. What is I think of great importance though, is the margin uplift that we have seen coming through and we'll try and just unpack that a little bit as we go on. Nigeria margins</p>



Speaker	Narrative
	<p>have remained roughly steady at about 61%, despite surging fuel costs which are quite a key driver of their opex, but generally all other costs have remained under control so we've been able to deliver economies of scale in the operation.</p> <p>On the RSA side, we've been able to keep handset revenues roughly stable but we've been able to actually decrease the cost of the handsets to offset some of the let's say revenue stabilisations, so the overall margin on handsets has contributed to an uplift in the margins for the company overall. Connection incentives into the channel, as we reported previously, were sort of rearranged in September '09. That's helped us actually drive margins or contributed the margin uplift and, as you are aware, the basis for actually charging out, paying the regulatory fees in South Africa was changed from 5% of opex to 1.5% of gross margin. That's had about seven-tenths of a point of uplift for the margin itself as well. So all of these items have contributed to the margin uplift. I believe we still have further potential difficulty in managing the costs of the IT outsourcing programme but I know the team is well focused in terms of bringing that down. I don't believe we'll see any short term improvement in costs but hopeful Karel will give us some good news in 2011.</p> <p>On the Iran EBITDA front, extremely impressive margins. To generate margins above 40% in this operation needs to be thought of in the context of the 28% revenue share that this company actually has to pay over to the regulator. Now what's happened between last year and this year where we lifted margins by more than six percentage points, is primarily very, very good cost control and very good and efficient operating business model. Transmission costs have been reduced by more than 6%, although the overall quantum of costs has increased with the increase in size of the network. They've also moved to a single vendor maintenance programme and that to a large extent has helped to actually reduce the cost of vendor maintenance or network maintenance on a year on year basis, despite the fact that we have a significant increase in the number of sites. They've also managed to actually reduce the cost of recharge cards, etcetera, through very efficient procurement programmes and the advertising spend between the first half of last year and the first half of this year has also decreased. All of that has contributed to a very good cost management increase in the margin but at the same time very strong revenue growth.</p> <p>So overall for the group the EBITDA margin – here we go again. Reconciliation, not much to speak of. We've talked about the Iran and RSA contributions. Other opco's, just to point out something there, Sudan, Ghana and Cote d'Ivoire have all declined. Sudan, we pointed out to you that we had a fairly strong strategy in terms of fixing distribution, putting in a new management team, rolling out a substantial part of the network which, of coverage which we believe was lacking based on our prior strategy and doing a few other things in terms of the rand as well as the price positioning in the market as well. We've made a fair amount of progress on a number of those. I see one of our vendors out here who is actually assisting us on the [58:37] programme. We've actually not been as quick on the network roll-out side as we anticipated, but we are hopeful that in the balance of this year we will catch up. I think the challenge we are giving to the management team is to keep</p>



Speaker	Narrative
	<p>the quantum of the EBITDA at the level which we had anticipated in the budget and we are largely hopeful that, due to some cost re-engineering, etcetera, they will be able to get us there. So, from a cash flow perspective we are hopeful that we will stay where we are but the challenge in the market is to actually develop a revenue base, get a high revenue share and get that operation back on track.</p> <p>In Ghana, the opex in Ghana is largely influenced by costs which are actually denominated, even though they might be paid in cedis, they are actually denominated in US dollars. So it's denominated in US dollars, payments are made in cedis and as the US dollar moves you do find that there is a change in our opex year on year. There is a slight devaluation between the cedi and the dollar and that reflects in about a 2.0 margin decline in the Ghana operation.</p> <p>Cote d'Ivoire for various reasons has been very disappointing. We've seen some significant changes in market in terms of value propositions. We've tried to be competitive, we've gone after subscribers, so subscriber acquisition has been very positive but overall I think it's come at the cost of margin. We've also had some one-off costs in terms of swap-outs on the network and we are of the opinion those will not recur.</p> <p>Moving on very quickly on the interest and tax slide, just to very briefly, in the interests of time, net interest is roughly static year on year. Net forex losses – this is the line, and the 957 includes some of the forex losses which are still associated with the capital restructuring programme and that's described in the second bullet, where Iran loan ceded to Dubai are limited to Euro/US dollar exposure.</p> <p>On the functional currency side, again that's the effect of the capital restructuring, so the huge charge that we took in the prior year has now effectively disappeared. The small amount that's left is due to some functional currency adjustments for bank balances in a subsidiary. So overall, a fairly significant reduction of about R1.5 billion in the charge, from R3.6 to R2.2 billion.</p> <p>On the income tax side, I think we've talked about it all. The big change in the deferred tax side is directly related to the functional currency movement on a year on year basis.</p> <p>On the EPS side, the number to focus on of course is the number after the put option, just to clear that up from the earnings adjustments, and that shows a 20.6% increase year on year, so reflective of the strong operating performance coming through.</p> <p>Profit and loss and disposal of assets. You've got a profit coming through from about R138 million which is the amortised profit that we had on the disposal of the Mednet business which was a carrier business to BIGS [?] and that's offset by some impairment that we took on various, on disposal we took on some assets. Reversal of impairment relates to one of the subsidiaries where we had a higher impairment at the end of last year than we actually required and following an outsourcing programme we've now released that to income. I believe we've dealt with virtually</p>



Speaker	Narrative
	<p>all the elements on the P&amp;L. I think we'll just pass that on in the interests of time.</p> <p>On the balance sheet, a few key things to point out, net debt has gone down from R12.1 billion to R5.2 billion and as Phuthuma indicated moved down from .26 at the end of December to .11 at the end of June and higher in consideration of the stronger cash position, we've gone out with a maiden interim dividend of 151 cents. As far as the actual translation of the balance sheet is concerned, keep in mind that we've moved from 739 which is the closing rate to 767. Just one or two key points, I'll unpack the cash and liabilities in the next few slides. Current assets have increased but the earlier one actually, the 5.1 reflected a reclassification of some loans from Iran which we expected would be repaid. Those have now been put back into longer term liabilities. That's not to suggest that we're actually not active in terms of trying to get cash back from the subsidiary, just more a reflection on an agreement in terms of us taking the view that we will not call up the loans for reporting purposes in the next 12 months. That's something we discussed with the auditors.</p> <p>The analysis of the net debt, two key points: We had a restructuring of our finance facilities in Nigeria and a reflection of the DNT01 [1:02:55] programme which most of you are familiar with. Both of those have had the effect of smoothing out the repayment profile and I think what we've unpacked at the bottom of the slide is to show you the position as at the end of June and the effect of what has been completed post June and you'll see especially the major change in terms of 2010. And of course this is something that Debbie keeps on an eye on on a constant basis and we'll continue trying to smooth it out as we out in future years.</p> <p>Just a point to mention, that, whilst we've paid down a significant portion of the unproductive debt or in fact all of it, we still have about 5.2 which relates to the recap of Dubai.</p> <p>On the gross inter-company loans, let's rather just chat about those on the next slide. The resolution of the Ghana shareholder dispute, we're pleased to report; as you recall, we reported in previous meetings we've had disputes with two shareholders in Ghana. Both of those have now been concluded and all agreements are put into place and what that translates to is an opportunity now to upstream cash so Debbie will be spending a fair amount of time with the banks in Ghana to figure out a way to bring some good news back to us.</p> <p>So if we see where the actual debt sits, on a ZAR basis 51% in South Africa, 34% in Nigeria, so very much in terms of the profile we would expect and about 14%. Keep in mind for Iran we consolidated only 49%. So it will impact the gross numbers that we see for this operation. As far as where the cash sits, 38% in Ghana. We talked about Syria, I think something just to chat about, what we are looking at doing, is, as I think most of you know, that represents effectively trapped cash but it's part of the conversion and the payment of the upfront fee. We are hopeful that we can use a substantial portion of that cash to settle the liability for the conversion and that I think will be an effective way to actually fund it and it will be funded in local currency. Again, we are hopeful- this is all part of the thinking forward and also</p>



Speaker	Narrative
	<p>moving forward we are hopeful that whatever new arrangement we will get into will be one which will allow us to clearly repatriate dividends as we generate cash. The structure of that also, I think, we believe will be such that the operation will be EBITDA – the quantum of EBITDA today, which is roughly in the order of about 21.6% will increase significantly by virtue of the fact that the new agreement will reflect a much lower revenue share. Now, without going into any, a lot of details, we are hopeful we can come back to you when these agreements are concluded.</p> <p>On the cash flow side, again very, very strong cash inflows, roughly in the order of the magnitude of last year. Some movements of course reflecting currency exchange rates on reported earnings. The net interest payable of course is going to be much higher than in the first six months of last year, being the key driver of the net cash position.</p> <p>Acquisition of property, plant and equipment: The capex will, as we said, we set out to spend a lot lower capex. The run rate reflects the fact that in fact we are slightly behind. We expect to catch up by, as we go through the second half of the year. We don't expect the full portion of the capex that we've approved for the operations to impact us on a cash basis as well.</p> <p>And then we have the acquisition of intangible assets, which is effectively software across the group. Other investing activity has moved from R2.6 billion last year. If you recall, we acquired Horizon, we acquired I-Talk and we also had a fairly significant level of pre-payments in one of our major subsidiaries. I believe it was Nigeria. Compared to income of R1.2 billion this year, which reflects about R700 million, which is 49% share of repayment of loans which came through from Iran, the remaining portion I believe is related to profit and disposal of certain assets. That, I believe, deals with the cash flow.</p> <p>The capex side, again, if you look at the FX element of capex, not too much of a change, about a R200 million impact overall. I think the key message here is we expected R23.6 billion which we showed you previously to come down to about R21.3 billion. We can have further discussions in terms of why the capex is [unclear] in discussions outside this forum. Again in the interests of time, just to see how we see capex rolling out for the full year and, again, this is our view based on what we told you previously was R23.6 billion. We now believe that number is R21.3 billion and a few points worthwhile mentioning, the Ghana one looks as being a bit odd. It's not a change in strategy, what it does reflect is probably an under-estimation when we provided you with the first level of guidance on rollover capex coming into 2010.</p> <p>It also reflects the fact that there was an environmental ban which impacted our ability to actually acquire new sites and roll out sites in the first six months of the year. All of those have required a revision of the capex number and we believe the R2.1 billion for Ghana will in fact, most of which will be committed and spent by the end of this particular year. Keeping in mind that we've spent R1.4 billion to date, the R700 million is probably realistic in terms of taking us to R2.1 billion.</p>



Speaker	Narrative
Phuthuma Nhleko	<p>For the remaining operations I think we expect to come down to roughly R2.1 billion in terms of full commitment. Not all of that again will hit us on a cash flow basis. Thank you.</p> <p>Alright, thank you, Nazir. We would now like to go to questions. I believe, well, before your questions, maybe I need to say one or two things. I think, looking forward and I think this is on page 71, I believe of the little pack that you have, as I said at the beginning of my presentation we're going to maintain some of the key themes. We do believe that rolling out the network rapidly, having that capacity has always been a competitive edge, but of course, as these markets mature and as market share settles, we think that we are in a position now to comfortably and more confidently, shall I say, share infrastructure with others and therefore reduce our capex and opex going forward. Of course, we'll always look at what the competitive situation is in each country before we do that, just to ensure that we don't give up any strategic advantage that we have.</p> <p>Standardisation, this continues to be part of an exercise of reducing our costs. The more standardised the systems and processes across the group, not always possible, but wherever it is we find that we start benefitting from the economies of scale and it starts to make far more sense for us.</p> <p>Rationalisation of suppliers is another area and, of course, all of this is about management and optimisation of our cost base. The roll-out of this year, the capex that Nazir just spoke about, we will continue to do that even though some of it may lag into next year and we will continuously be extremely vigilant in terms of the level of service and quality of service, particularly in the light of some competitive, much stronger competitors coming into this market and ensure that we maintain that advantage and not lose market share or capacity or any of those key features.</p> <p>Fibre, as you can see, a lot of the transmission and the optic fibre that has been put in the ground has given us quite an uplift on data services. And, as you penetrate lower into those markets, replacing some of that revenue with value added services and really data revenue from more of the high end customers becomes quite crucial. So we would expect to continue to do that.</p> <p>Regulatory is a feature of this industry. We can't always say that we will always come out on top but we try to anticipate, pre-empt and engage with a view of mitigating this regulatory risk in most countries. And I must say over the years it's worked very well. I can't think of a single country where we couldn't resolve matters amicably in the end.</p> <p>Cash returns – this is part of the theme of, that last slide that I showed you, which is saying we're trying to balance shareholder returns now with ensuring that strategically we don't miss out on opportunities that could undermine our own strategic position based on where we are today. Starting with this interim dividend that we are paying now and will continue to pay, that interim dividend going forward and at the moment we feel comfortable that a ratio of 40% on EPS would be the right balance for us in having that shareholder return but also ensuring that</p>



Speaker	Narrative
	<p>we've got capacity to do things should those opportunities present themselves.</p> <p>And then lastly we have postponed the BEE transaction a number of times because either there was some M&amp;A that we were considering or the market conditions were just not conducive. I'm glad to say that we finally have moved on on that and of course have got the AGM tomorrow to vote on that BEE transaction.</p> <p>Subscriber guidance, and I guess you need to see this in the context of that capex slide that Nazir presented, of saying that we hope to get to let's say R21 billion of capex for this year which is significantly down on last year, but of course it's all to capture subscribers. Hopefully valuable subscribers. The guidance was 20 million at the beginning of this year and we've revised that to 21.1 million so it's not a big change. I think we are clearly far more optimistic in South Africa than we were at the beginning of the year as evidenced by the performance of South Africa in the last six months. Ghana I think a bit of a challenge. I keep on saying it is a five or six-player market, if you will, and we think that it's going to be quite a lot of pressure there. Iran, we maintain the guidance. We think that we are on track to achieve that and the rest of the countries contributing about seven million subs. So we think that's really all in order.</p> <p>So I think with that, thank you very much and we would like you to raise whatever questions of matters of clarification that we can help you with. I must say, as far as the BEE transaction is concerned, if you can bear with us and leave that for tomorrow because I've got the AGM tomorrow and all of that and if there are any questions on that I think we can, we'd prefer to deal with that level of detail on that and really just deal with the results and all the strategic issues that pertain to the results. So if we can take some questions, I don't know if the mic is there. I think there's Rhys there, ja.</p>
Jonathan Kennedy-Good	<p>Jonathan Kennedy-Good from Investec. Just a quick question on your cash remittances during the period from the opco's to SA and Dubai in a case. Could you give us a sense of what those numbers were and then also in Nigeria, just on, could you give us a sense of the population coverage and the 3G and I'm just curious to know why you're pulling back so much on capex in Nigeria, given the fact that data as a percentage of revenue is so low and you see that as an opportunity.</p>
Phuthuma Nhleko	<p>Okay, maybe let me just take the last question first on Nigeria and our cash remittances I will go back to Nazir to respond. I assume you are really talking about the cash that's been upstreamed from the operations, is that what you are asking? Okay. Look, I think firstly on Nigeria, on capex, really if I can just say on a light-hearted moment that I don't think we can ever get it right, because I remember a few years sitting here is why are you spending so much money in Nigeria and we spent a lot of money, now why are you spending such little money in Nigeria. So we – and the answer is that we're trying to find a balance. We have got 51% market share. We have bought VGC, that's helping us, drive us on data but we also don't want to run too far ahead on the capex in Nigeria that would be data related without ensuring that the revenues are actually there. As, I think Nazir indicated in his slide, there's no question that with low single digits, data of revenue in Nigeria,</p>



Speaker	Narrative
Sifiso Dabengwa	<p>the opportunity seems very, very large. So we're very, very conscious of that but we want to approach it on a broad basis, whether it's wire or wireless in a manner that is well structured, is well thought through and ensures that we actually target the right segment, the right sort of SMEs and so on to do that. So it's a rather long-winded way of saying to you it's an opportunity that we're aware of but we are actively debating really the strategy of how we actually deploy that. And in terms of RGV coverage in Nigeria, it's still fairly low. It's mainly the cities. I don't know, Sifiso, if you know what the percentage is?</p> <p>Just over 20%.</p>
Phuthuma Nhleko	<p>Okay, so it's still relatively low but I think obviously that's going to increase as we move forward. Nazir, do you want to take the question on cash upstreaming?</p>
Nazir Patel	<p>Year to date we've had dividends coming through from Nigeria which is fairly consistent with what seen in past years. It's in the magnitude of about 400 million dollars. As far as shareholder loans are concerned, we had a 200 million dollar repayment which we, I think had mentioned earlier in the year, from Iran and that covered mostly finance costs and loans which we'd extended to the operation. We haven't had any capital paid back on that. There has been a more recent dividend declared for Nigeria which should come through between September and October, roughly of the order of the magnitude that we've seen previously. And of course we have, as part of our treasury management programme, constant upstreaming of cash from the South African operation.</p>
Phuthuma Nhleko	<p>Okay, Rhys.</p>
Rhys Summerton	<p>Hi, it's Rhys, Rhys from Citigroup. I just have three questions if I could please. The first, if I just look at Nigerian business, your minutes of use look like they've gone backwards by about 10% and I understand that your incremental ARPU is down from about seven and a half, I think you said, in the first quarter, down to seven. But that's not fully going to account for the 10% decline in usage on your network in Nigeria. So I'm wondering if we're seeing a proliferation of dual SIM cards in the market or if you're actually losing a bit of revenue share to some of the other operators there. So maybe a bit of colour on that would be very helpful. And the second question is on South Africa, I think you alluded to the on Net traffic going to 62% which I think is a remarkable performance. How sustainable is that? Can you expect that to go any higher? And then maybe just the third question is on gearing levels. I think your dividend is welcome across the board but the fact is you still have got tremendously low gearing so do you have a target on where you're going to be going on that?</p>
Phuthuma Nhleko	<p>Let me answer the question on gearing then maybe MOU in Nigeria, Sifiso do you want to take that and traffic in South Africa. Okay, I think on gearing levels, yes, the gearing is low and we haven't sort of borrowed to pay dividends but – and I'm not saying we would do that but I'm just saying because there are other inefficiencies that would be implied in that, but suffice to say that the gearing can go up depending on firstly really what happens in the next two years or so as far as</p>



Speaker	Narrative
Sifiso Dabengwa	<p>opportunities. I think we have been very clear, starting with the announcement we took out during our AGM to say that we think opportunities that we would regard to be value accretive are few and far apart. So, having said that, we also are not saying we are not going to look for other opportunities because there could be regional consolidation opportunities that may require us to push that gearing up. So I think that's the first thing that drives us. I think the second element of that question was what is a reasonable gearing level that you'd look at. It really depends on the opportunities but I think, generally for us, and it's always a dangerous thing to say because we always get quoted down the road but I think if you start looking at net debt to EBITDA, that approaches two, we're saying that it's starting to be high. But maybe there won't be opportunities that would actually put us on that sort of level of gearing. So I would say it's been a stepped change and maybe in a year we may look at an even more value creating capital structure for us rather than the net debt of 0.1. Okay, MOU in Nigeria and I think the second question was traffic in South Africa on net has grown by 62%, is that sustainable.</p> <p>The on net traffic in South Africa, there's no reason why we should think that that should change. The kinds of products that have been in the market have been very successful and very attractive from an on Net perspective. And then also the fact that the lease cost through to businesses are also, they have reduced in terms of the amount of traffic that they will be carrying so there's no reason to believe that that will come down. As far as Nigeria is concerned, yes, there is a lot of double SIMS because also the market is very – the number of promotions from the other operators are very high, so at this stage, in terms of the overall impact on the total minutes is very much under investigation but there's no reason to believe that there's a gradual reduction in the total minutes offered in the market.</p>
Nazir Patel	<p>I think just a clarification on that question on the traffic, in the change from 52 to 62, is relative to prepaid. I think post-paid went up marginally from 48 to 50. I don't know what the blended number is but you need to keep that in mind.</p>
Phuthuma Nhleko	<p>Okay.</p>
Johan Snyman	<p>Can we keep it in this row?</p>
Phuthuma Nhleko	<p>As long as it eventually moves, yes.</p>
Johan Snyman	<p>Thank you. Johan Snyman, Nedbank Capital. Phuthuma, well done, good set of results. Maybe just on Iran Cell, are we looking at some dilution going forward and potential listing?</p>
Phuthuma Nhleko	<p>We wouldn't discount that but for the moment there is no plans to do that. You know, we have engaged the regulator on that and it's something that's in discussion, let's put it that way but suffice to say there is no undertaking from us or plan to us to do that. But there are lot of strategic issues to think about as far as Iran is concerned. So it's something that could eventuate in the future but I can't say that with any degree of certainty. I think there was a gentleman over here.</p>



Speaker	Narrative
John	<p>Hi, it's John from UBS. Could you just provide a little bit more information on how you're thinking about infrastructure sharing and what the progress is that you're making in that regard. In other words, would you consider it in South Africa or are there specific countries which are more suited than others, or partners that are more suited than others?</p>
Phuthuma Nhleko	<p>That's a very difficult question. I mean, let me just say that I think that, most probably two or three elements to that. I think the basic principle is that obviously you're going to get the highest amount of benefit in infrastructure sharing in countries where you've still got a lot of infrastructure to build and a lot of capex to spend, alright, because that's clearly where you're going to find the rationalisation. So that most probably is the first box that we'd look at. It's the less mature markets as opposed to the more mature markets. The second element of what we would consider is, even in those less mature markets, is really what the strategic play is. If infrastructure sharing there was hugely detrimental to us in terms of market share and strategy and so then obviously we may do it or not do it or, if we do it, we may do it in a measured way, alright. So that really is what the position is. In terms of where are we today, I mean today there is quite a lot of exchanging of, swapping, you give me five towers and I'll give you five towers there, that kind of thing. That is happening but I think the paradigm shift or step change will really be when you start looking at tower companies and so on and that is not something that we would discount but in looking at it we would have to take into consideration the other two elements that I've mentioned.</p>
Unknown speaker	<p>Hi Phuthuma, I've got some questions that have come through the electronic media; we do have quite a lot of people logged on. Nic Kershaw from Deutsche Bank asks, given the focus on Sudan, why did subs fall 728,000 in the period; also why is ARPU down if subs have fallen now, been told that you've been fixing the business. I've got two other questions but maybe deal with Nic's first and then the others. Do you want to answer Nic's question?</p>
Phuthuma Nhleko	<p>Why don't you ask all of them?</p>
Unknown speaker	<p>Okay. Then the other two questions: One question here from J P Davids from Barclays Capital on mobile money. Are there any structural reasons why mobile money in West Africa should lag East Africa over the longer term; and one last question, Bharti in Kenya yesterday, this is from Namura Martin, cut rates very aggressively. What are you anticipating by way of pricing pressure in Nigeria from Bharti?</p>
Phuthuma Nhleko	<p>Okay, let me take the question on mobile money and Bharti and tariff cuts and then Sifiso you'll talk about Sudan. Okay, I think on mobile money the question was why would West African lag East Africa. There's no obvious reason other than the fact that, and credit to them, Safaricom started this with M-PESA, mobile money in Kenya and again, credit to them, many, many years before a lot of other operators started that I think that has taken off very, very well in Kenya. It's very established and, of course, as you know, the East African region is fairly integrated and I think that has, there's quite a lot of movement between Uganda, Kenya and Tanzania and</p>



Speaker	Narrative
	<p>so on. So I think they've seen that benefit. It's an issue of familiarity where that region is far more comfortable with mobile money, have used it quite a lot, starting in Kenya and of course we launched in Uganda let's say before the other countries in our group. We launched in Uganda way before other countries. So that is really, for those two reasons, that's really why East Africa has done fairly well. But there's absolutely no reason, once the people feel far more familiar and far more comfortable with the product, why it shouldn't spread in West Africa as well. It's like ATMs, when people used to go to ATMs and still rather go into the branch but today everybody doesn't want to go into the branch, they just use the ATM. So it's the same sort of mentality.</p> <p>The issue of, second question was about Bharti and cutting tariffs in Kenya. Well, first of all, we're not in Kenya, but what was made – meant on a serious note, but having said that, I think the feature of the question really is clearly are these guys going to start cutting prices and I think the specific question was well, what does it mean for Nigeria? Some of you may recall that we had, I think, two very big scares in Nigeria in the past when we went out with a new product that took down tariffs because of the high elasticity of that market. We'd then get an enormous growth in traffic and, when you get that enormous growth in traffic clearly you must then have the network and the capacity to do that. So it's not for us to comment on other people's strategies and what they will do and what they won't do, but I think my response, I'll just leave you with a response that says if you're going to go and have significant cuts in tariffs you need the capacity, particularly in a country like Nigeria. You absolutely need the capacity because if you don't have the capacity you'd be in very dire straits as far as the network is concerned. So I think that's the first response. Second response is, of course, low tariffs, enormous volumes works. Low tariffs, not such enormous volumes has got its own challenges on revenue. Sifiso, do you want to comment on Sudan?</p>
Sifiso Dabengwa	<p>Ja, just on Sudan. We had to let's say disconnect 600,000 subscribers that were actually not active so that had no impact on the revenue at all. As far as turning around the business is concerned, we've just had difficulties in relation to getting the roll-out in place and earlier on there was a mention of that, we did have some significant management changes and I think that we're now on a good note to actually get it going well.</p>
Phuthuma Nhleko	<p>Okay. Alright.</p>
Motlatse	<p>Hi, Phuthuma, it's Motlatse from Absa Capital. Just a quick question. Are you in any position to share some colour around the succession discussion at this point?</p>
Phuthuma Nhleko	<p>The colour is it's transparent. No, look, I think as we indicated we are aware that the company needs to evolve as far as this is concerned and as we said a number of the times the chairmen of the board are dealing with it and I think we are really in the process of getting to the end of that fairly shortly so you can rest assured that they are actively are anticipating your anxiety and they're going to deal with it in the next month or two.</p>



Speaker	Narrative
Motlatse	Right, thanks.
Phuthuma Nhleko	Okay, shall we take maybe two more questions and then we can always ask questions offline and so on. Maybe two last questions if you don't mind.
Christine	Hi Phuthuma. This is Christine from [unclear] and I have one single question. From this group summary I can see that in the first half of this year your capex compared with last year, in the first half of last year, you have reduced about 45.2% and I'm very curious why is this and also, I want to know for the next half of the year do you have any plan to increase your capex. Thank you.
Phuthuma Nhleko	<p>Christine, if you give us half the prices, we may keep it at where it is. [Laughter] Look, I think as we indicated, we really believe that we've most probably accommodated the huge pent-up demand in countries like Nigeria and therefore we really need to be far more circumspect in how we spend capex. But that can change in the sense that, as somebody raised the point earlier, once we're absolutely clear on the data proposition in Nigeria and how we need to address that, rolling out 3G and so on, we will have to look at that. I think that's one.</p> <p>Secondly, in most markets MOU does grow depending on what we're putting out there in terms of products that people actually need so if there are value added services and which is why we're taking innovation very seriously now with Mr de Faria here, okay, who's going to generate a lot of new products and value added services we're hoping that will stimulate high end usage and so on and therefore you can see the traffic growth. And people, as they settle into the patterns, they will start using the phone more and more.</p> <p>I think the third element, which is not always predictable, is that there is new entrants coming to the market all the time. We want to maintain our market share and position and quality of the network and capacity and we will absolutely ensure that we always stay ahead of the game. Now to some extent it also depends what those people do in the market, but I'm saying they could very well be a situation where it may make sense to deploy even more capex to increase the capacity even more to ensure that, not only do we maintain our market share, but really get even further ahead. But those are all strategic decisions that I think we are evaluating. So when we have our next round or price negotiation with you we will put that on the table. [Laughter] Okay, the last question.</p>
Nicky Smith	Nicky Smith, Bloomberg News. It's just a question [unclear segment] the said the succession plan, you said within a month or two. Is that – could you be more clear? Are you saying that within a month or two the board will announce who the successor is or they'll have reached a significant point in their process in terms of shortlisting? What do you actually mean?
Phuthuma Nhleko	Well, I can't be more clear because it was just a manner of speaking. I wasn't saying literally one month or two months. All I'm just saying is the gentlemen, they are aware of the anxiety, that people want clarity and they will deal with it as expeditiously as they can. But please don't quote me as saying I said in one month



Speaker	Narrative
	or two months. But it's a matter of urgency. Let's put it that way, we do understand that. Okay, I was hoping to get a better last question than that [Laughter]. Okay, thank you very much, thank you.

END OF TRANSCRIPT